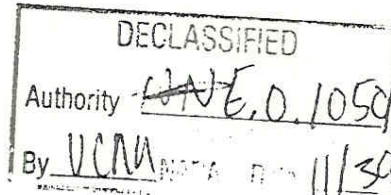


NOV 14 1941

(Pr7d)

L 4-3 (11)



From: The Chief of the Bureau of Ordnance
 To: The Secretary of the Navy

Subject: Request for authority to negotiate contract with Librascope, Incorporated, for the acquisition of 400 mechanical antiaircraft computers and special tools and jigs - Total cost of computers, \$310,000.00; estimated cost of manufacture of tools, \$38,325.00

Reference: (a) BuOrd ltr. L4-3(11)(Pr7d) of July 19, 1941 to the Secretary of the Navy
 (b) Bureau of Supplies and Accounts Letter of Intent to Librascope, Incorporated, NOs-90016(SPC) of July 29, 1941
 (c) Schedule 500-4063 (Ordnance)
 (d) Contract with Librascope, Incorporated, dated January 16, 1941 (NOs-80723)

1. Reference (d) is a contract awarded to Librascope, Incorporated, for the acquisition of fifty (50) mechanical antiaircraft computers for 3"/50 caliber guns, one at a unit price of \$2,500.00 and forty-nine (49) at a unit price of \$350.00. This contract was awarded to Librascope, Incorporated, as a contract in the nature of an experimental development, the computers being a new type of device for calculating antiaircraft gunnery problems utilizing levers and linkages. A competitive bid schedule for the acquisition of antiaircraft gunnery computers resulted in another device being submitted, utilizing other principles for the solution of antiaircraft gunnery problems at a unit cost of \$2,500.00. The contract was awarded to Librascope, Incorporated, because of the low cost as compared with the cost of other types of computers accomplishing the desired result.

2. Reference (b) was subsequently issued to the contractor pursuant to reference (a) with a view to procuring six hundred (600) additional such computers at the same price, several of the computers having been delivered under the first contract. Although not completely acceptable, they indicated that the device could be perfected and made of value to the

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Navy. Prior to issuance of reference (b), Librascope, Incorporated, quoted a unit price of \$340.00 for the above quantity of computers.

3. Pursuant to the Letter of Intent, reference (b), the contractor submitted a proposal to manufacture five hundred fifty (550) computers at a unit price of \$1,225.00, including the cost of special tooling. This price was so far in excess of the price upon which the computers had been acquired under the first contract and the price contemplated at the time the Letter of Intent was issued that the Bureau requested the representatives of the contractor to confer with representatives of this Bureau and the Bureau of Supplies and Accounts.

4. The Bureau has held extended conferences with representatives of the contractor, as a result of which the following facts appear. Librascope, Incorporated, was a corporation controlled and operated by Mr. Lewis Imm, the inventor of the computer, with some financial backing from International Projector Corporation, a subsidiary of General Theatres Equipment Corporation. Up to recently, International Projector Corporation had not actively controlled or regulated the management of Librascope, Incorporated, and the company in performing the first contract has proceeded to a large extent under the direct control of Mr. Imm. An audit of Librascope, Incorporated, by certified public accountants (F. W. Lafrentz and Company) submitted by the contractor, indicates that the actual unit cost of manufacture of the first twenty-two (22) computers under the first contract has been \$1,454.41, without considering the overtime and other work of Mr. Imm and others connected with the company. This cost of manufacture would indicate a loss of approximately \$50,000.00 on the performance of the first contract. The management of International Projector Corporation and its parent company, realizing that Librascope, Incorporated, could not complete its present contract or perform its contemplated contract with the Navy without considerable revision of its manufacturing processes, cost accounting, and other management problems, has taken steps to acquire full stock ownership of Librascope, Incorporated, has installed management, and has placed Mr. Imm on a contract royalty employee basis, thereby utilizing his inventive capacity and knowledge of the computer and at the same time, imposing efficient and practical management and production methods.

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5. The contractor has submitted a detailed breakdown of costs upon which the quoted price of \$1,225.00 for the additional five hundred fifty (550) computers is based. Extended conferences have resulted in the reduction of this price to \$775.00 per computer for four hundred (400) units, without including the cost of manufacture of the special tools and jigs necessary for quantity production of the instrument. The number to be acquired has been reduced from five hundred fifty (550) to four hundred (400) because of the limited funds allocated to this procurement. The additional four hundred (400) instruments will be considerably improved as to design and reliability by the use of more rigid supports and housing and the use of production tools, insuring interchangeability and standardized results, and more adequate plant inspection is provided. The Naval Gun Factory has estimated the cost of producing these instruments in lots of five hundred (500) at approximately \$700.00, on a basis of direct labor, material, plus 125% of direct labor for overhead, but without profit or royalties, and without including cost of adjustment of the instrument after assembly, which with this instrument constitutes a substantial part of the cost of manufacture.

6. The Naval Gun Factory estimated approximately \$10,000.00 as an appropriate amount for special tools, jigs and fixtures. The contractor, however, estimates approximately \$36,500.00 for tools. In view of this difference, the contractor has agreed to manufacture the special tools and jigs and other manufacturing devices on a cost plus a fixed fee basis at an estimated cost of \$36,500.00 plus a fixed fee of 5% thereof, or \$1,825.00. The cost of design of special tools, etc., is included in the proposed unit price of the computers.

7. In view of the established cost of manufacturing the computers under the first contract, the additional cost involved in improved design and production methods to be employed in the manufacture of the four hundred (400) computers, and comparison with the cost as estimated by the Naval Gun Factory, it is certified that the price of \$775.00 per unit in a quantity of four hundred (400) is a fair and reasonable price and it is requested that the Secretary of the Navy so find and determine.

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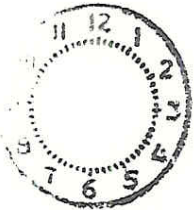
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8. It is further certified that the contract for negotiation of which authority is requested is one for the acquisition of construction of equipment for complete naval vessels.

9. It is also certified that inasmuch as the computer being acquired is the invention of Mr. Imm, the exclusive rights to which are held by Librascope, Incorporated, and that earlier invitations for bids on similar instruments have not produced bids at prices approaching the price for which the instrument will be furnished by Librascope, Incorporated, it is certified that advertising or competitive bidding would not result in effective competition and it is requested that the Secretary of the Navy so find and determine.

10. Upon approval it is requested that the Bureau of Supplies and Accounts be authorized to negotiate and enter into a contract with Librascope, Incorporated.

W. H. P. BLANDY



NOV 14 1941

Forwarded to Bureau of Supplies and Accounts

Approved: NOV 14 1941

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Acting | Secretary of the Navy

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